

Mayor's Budget Message

TO: The Budget Committee and the Citizens of Beaverton:



As required by Chapter 294, Sections 294.305 to 294.520 of Oregon Revised Statutes and Chapter V, Section 19 subsection H of the Beaverton City Charter, I submit the City's adopted budget for Fiscal Year 2005-2006.

This is the thirteenth year of my administration, and we have prepared a quality budget document for the Budget Committee and the Citizens of Beaverton. The budget focuses on continuing our enhanced law enforcement and citizen safety activities, maintaining the City's stable financial position, expanding the public's understanding and involvement in our city government, and providing excellent customer service to Beaverton citizens.

The adopted budget was formulated using the goals established by the City Council. You will find references to these goals throughout the budget document. The goals for this fiscal year are:

- Preserve and enhance our sense of community.
- Use City resources efficiently to ensure long-term financial stability.
- Continue to plan for, improve and maintain the City's infrastructure.
- Provide responsive, cost effective service to the community.
- Assure a safe and healthy community.
- Manage growth and respond to change consistent with maintaining a livable, full-service city.
- Maintain Beaverton as a regional leader in cooperative efforts with other agencies and organizations.
- Provide and support a highly qualified and motivated City work force.

The adopted budget reflects the ninth year under a new property tax authority that was established by our citizens' approval of Ballot Measure 34-52 at the November 5, 1996, General Election. The property tax authority was established at \$15,586,000, and it was phased-in in relation to our population growth. The new authorization provided funding to hire 33 police officer positions and 8 support positions over the past eight years to maintain a ratio of 1.5 sworn officers per 1,000 of population.

The adopted FY 2005-2006 budget includes four additional police officers in order to maintain the 1.5 ratio based upon the City's projected FY 2005-2006 population of 83,500. The City's tax authority will permit the hiring of future public safety positions as our population increases.

We believe the enhancements permitted with the property tax authority have enabled the City to continue to improve the Community-based Policing Program. This program has and will continue to play a major role in holding our own with the growth rate of crime. Our crime rate, as measured by the Oregon Uniform Crime Report, shows an overall decline of 6.1 percent in Part 1 and Part 2 crimes for Calendar Year (CY) 2004 as compared to 2003 as follows:

- Part 1 serious person crimes, which include homicide, rape, robbery and aggravated assault, increased 9.5 percent.
- Part 1 property crimes, which include burglary, theft, motor vehicle theft and arson, experienced a 14.8 percent decrease.
- Part 2 crimes, which include stolen property, vandalism, curfew violations, increased 2.1 percent.

In CY 2003, our overall crime rate experienced an 1.4% decrease with a 3.2% decrease in Part 1 crimes and an 8.2% decrease in Part 2 crimes. Our citizens have indicated that public safety has a key impact on their quality of life.

Other Voter Approved Property Tax Legislation

Through the state legislative sessions in FY 1996-97, new state-wide property tax legislation (Measure 50) was placed before the State's voters and was approved. Measure 50 changed the method of levying property taxes from an authorized dollar levy amount to a set permanent levy rate. The Measure also established a new assessed value for tax purposes for each property effective July 1, 1997, that was equal to the lesser of the property's market value in FY 1994-95 or FY 1995-96 less ten percent. The permanent rate is applied to each property's new assessed valuation for tax purposes to achieve the property taxes levied. After FY 1997-98, a property's assessed value for tax purposes may increase up to 3% per year plus any new construction valued over \$25,000.

The voters approved Measure 50 and, with the measure's passage, the City's new property tax authority was validated and a new permanent property tax rate of \$4.62 per thousand was established for Beaverton. Since adoption of the permanent levy rate structure, the City has levied the following property tax rates for general government operations:

FY 1997-98	\$3.20	FY 2001-02	\$3.18
FY 1998-99	\$3.51	FY 2002-03	\$3.35
FY 1999-00	\$3.41	FY 2003-04	\$3.53
FY 2000-01	\$3.25	FY 2004-05	\$3.68

The \$0.33 decrease in the levy rate from FY 1998-99 to FY 2001-02 was due to the City's growth in taxable assessed valuation from new construction and annexations that exceeded the growth in property tax requirements. For the FY 2005-2006 budget, the City's tax rate is estimated to be \$3.77 of the City's \$4.62 permanent levy rate. This will generate \$21,852,823 in property tax receipts for general government operations (The General, Library, and Street Lighting Funds). The City will also levy and receive \$1,638,750 for general obligation debt service for grand total property tax receipts of \$23,491,573. A further discussion of the property tax levy is presented in the Supplementary Budget Detail beginning on page xiv.

Together with the property taxes discussed above and all other revenue sources, the City's adopted FY 2005-2006 budget totals \$138,343,838 with the major categories of Revenues and Expenditures as follows:

REVENUES

Taxes & Franchise Fees	\$ 29,563,437
Intergovernmental	12,958,753
Permits and Fees	7,480,254
Charges for Services	21,508,460
Fines and Forfeitures	3,655,000
Interest Income & Miscellaneous	5,900,786
Bond Sale Proceeds	2,120,000
Interfund Transfers	<u>16,642,342</u>
Subtotal Revenues	\$ 99,829,032
Beginning Fund Balance or Working Capital	<u>\$ 38,514,806</u>
Total All Revenues	<u>\$138,343,838</u>

EXPENDITURES

Personal Services	\$ 41,809,440
Materials and Services	23,900,137
Capital Outlay	24,072,538
Debt Service	5,222,488
Transfers	<u>16,642,342</u>
Subtotal Expenditures	\$ 111,646,945
Ending Fund Balances (Contingency) and Ending Working Capital	<u>\$ 26,696,893</u>
Total Expenditures and Ending Fund Balances	<u>\$138,343,838</u>

For further details on the adopted FY 2005-2006 budget, please refer to the Supplementary Budget Detail beginning on page xiv.

City Population

The official population figures for all Oregon cities and counties are certified each July 1 by the State of Oregon through the Population Research Center at Portland State University (PSU). Each year, PSU estimates the changes in populations by using the last U.S. Census Data (which was 2000) as a base and allowing adjustments due to new single-family and multi-family unit construction, household sizes, annexations, and other data.

Beaverton's population for July 1, 2004, was certified by PSU at 79,350. Population is an important component for Oregon cities as they receive revenues from the State (fuel taxes, liquor taxes, cigarette taxes, and liquor profits) based upon per capita formulas. For FY 2004-05, the city expects to receive \$63.22 per capita from the State, which totals \$5,055,005 based upon the 79,350 population. For FY 2005-2006, Beaverton's population is estimated at 83,500 and is projected to generate \$5,469,762 from State Shared revenues

FY 2005-2006 Budget Guidelines

We continue monitoring and changing our operations through evaluating staffing levels, examining ways to be more efficient and making reductions where appropriate. We have evaluated processes and eliminated duplication and reduced the costs of providing services to our public while maintaining quality service. The following themes reflect my determination to develop the productivity of our excellent work force, encourage operational improvements, and operate efficiently within our budget constraints.

State Economy

The State's general economy began experiencing a downturn beginning December 2001. Early in the current biennium (July 1, 2003 through June 30, 2005), the State Legislature reconvened to reduce state spending by approximately \$800 million in order to bring state spending in line with the projected reduced revenues from corporate and individual income taxes. During this time, the State's unemployment rate was still one of the highest in the nation at 7.2% (March 2004) as compared to the US average of 5.7%. For the next biennium (July 1, 2005 through June 30, 2007), the Governor has presented a balanced state budget. The State's unemployment rate has improved, with a June 2005 rate of 6.5% as compared to the US average of 5.0%.

One of the challenging issues this past year was that state and local governments participating in the State's Public Employee's Retirement System (PERS) were facing significant funding increases (40% to 55%) to the retirement system in FY 2003-04. The increases were needed to fund the system's projected \$17 billion unfunded actuarial liability. To alleviate the projected deficit, the State Legislature enacted three House Bills (HB 2001, 2003 and 2004) that reduced the retirement system's future benefits to PERS retirees. The result was a reduction in the unfunded actuarial liability and a reduction in the PERS funding increase for FY 2003-04 to the 10% to 12% range. Several lawsuits were filed in the Oregon Supreme Court challenging the constitutionality of the three House Bills. The status of the lawsuit is further discussed in detail in the section titled **Public Employees Retirement System** on page vi.

Local Beaverton Area Economy

Beaverton's local area economy did not see the identical downturn that the State of Oregon experienced. Our city business license revenues decreased 6% between FY 2001-02 and FY 2002-03. The license fee is based upon a fixed base amount (\$50) plus \$8.50 per full time equivalent employee. For FY 2004-05, business license revenues exceeded FY 2001-02 levels reflecting a 100% recovery from the downturn. The City's residential building permit activity remained strong in FY 2004-05 and is expected to continue in FY 2005-2006 with two large land developments: Progress Quarry, a 115-acre parcel, and the Teufel property, a 120-acre parcel. Our consistent citizen observation is that, in Beaverton, things are headed in the right direction as measured by citizens' responses to our "quality service report cards" and the annual citizen survey.

City Revenues

The revenue projections for the budget year were compiled through a process of careful evaluation that ensures that every possible source for revenue is being considered. The City's various major revenue streams are stable for FY 2005-2006. The property tax levy rate for general operations is projected to be \$3.77 per thousand dollars of assessed valuation. The projected rate is expected to generate \$21,852,823 in property taxes based upon an estimated assessed valuation of \$6,100,343,000. The \$3.77 tax rate is 81.6% of the City's \$4.62 Permanent Rate Tax Authority. The increment between the levy of \$3.77 and the \$4.62 permanent rate is \$0.847, and when applied to the estimated assessed valuation, it would produce an additional \$5.2 million dollars in property tax revenues. This additional unused tax authority is expected to provide the City with sufficient resources to meet our future resource needs.

Franchise fees are charged to utility providers (electric, natural gas, telephone, telecom, cable TV and garbage collectors) for use of the City's public right of way. The revenue stream is steady with a slight growth as it is tied to a combination of new development construction, population increases, and households/commercial properties served. The only exception to this trend is local phone service franchise fees which have steadily declined. The decline is due to households changing from traditional phone line service to either cell phone service or phone service over cable lines, which are federally exempt from local franchise fees and agreements.

In the November 2002 election, Washington County voters did not approve an additional operating levy for the Washington County Cooperative Library Service (WCCLS). In FY 2002-03, the City received \$3 million from WCCLS and, if the additional levy had passed, the City would have received \$3.8 million in FY 2003-04. With the levy failure, the FY 2003-04 library budget's funding from WCCLS decreased from \$3.8 million to \$2.7 million, which is a combined reduction of \$1.1 million over the expected funding had the levy passed. Due to the reduced revenue, the library's FY 2003-04 budget reflected reduced hours of operation from 71 to 60 hours per

week by trimming the least used hours; early morning and late in the evening. Even with the reduced hours of operations and appropriation reductions, the Library's FY 2003-04 operations used \$504,800 of its \$1,557,429 contingency reserve account.

The Washington County Board of Commissioners placed a measure on the May 18, 2004 election to again seek voter approval of the additional operating levy; however, the levy did not pass. Therefore the library's FY 2004-05 budget again received \$2.7 million from WCCLS, which further reduced the Library Fund's contingency level. The library budget was reduced in mid October 2004 to bring expenditures more in line with the reduced WCCLS funding. The library's staffing was reduced by 6.6 FTE's (full time equivalents) totaling \$333,500, the materials budget was reduced by \$50,000, and the hours of operation were further reduced from 60 to 49 hours per week. With the budget reductions, the library's total estimated revenues for FY 2004-05 is \$4,289,358 and with expenditures totaling \$4,593,366, the contingency account will be reduced by \$304,008 for a projected ending contingency reserve balance of \$748,621 at the end of FY 2004-05.

The library's FY 2005-06 budget is based upon also receiving \$2.7 million from WCCLS, which will continue to reduce the Library Fund's contingency level. Total revenues for the Library's FY 2005-06 budget is \$4,403,828 and with expenditures totaling \$4,713,900, the contingency account will be reduced by \$310,072 for a projected ending contingency reserve balance of \$438,549. The Washington County Board of Commissioners is considering placing a measure on the November 2006 general election to again seek voter approval of the additional operating levy. If the levy passes, the library's FY 2007-08 budget will operate in the positive. If the levy does not pass, the City will then determine how to further bridge the gap between the Library's revenues and expenditures.

The City budget process focuses much attention on the tax-supported funds. However, the process also provides full review and approval for a variety of other funds. The Enterprise Funds are based upon user fees, charges for services, and other restricted revenues. We continue to carefully review the Enterprise Funds (water, sewer, and storm drain) relating to their overhead costs, fees and rates, and the need to restructure rates if needed. The FY 2005-06 budget includes a water consumption rate increase of 2.7% and a demand meter charge increase of 3.0% for the Water Fund. The 2.7% water consumption increase is equivalent to a 5-cent increase from the current \$1.82 per 100 cubic feet of water (which is equivalent to 748 gallons) to the rate of \$1.87. The 3.0% demand meter charge increase is equivalent to a 22-cent increase in the charge for a typical residential $\frac{3}{4}$ inch meter from the current \$7.27 charge per month to the charge of \$7.49. The cost increase to the average residence that consumes 6 units of water per month would be \$3.60 per year for water consumption and \$2.64 per year for the demand meter charge. The water consumption rate increase is recommended to be effective January 1, 2006 and would generate \$181,000 additional revenue annually. The demand meter charge is recommended to be effective July 1, 2005 and would generate \$50,500 additional revenue annually.

The FY 2005-06 budget also includes an increase to the Storm Drain Fund's surface water management fee. The current fee is \$5.75 per month per Equivalent Service Unit (ESU). A single family residence is billed 1 ESU per month (1 ESU is equivalent to 2,640 square feet of impervious area). The fee increase is 25 cents to the current ESU rate of \$5.75 for a new ESU rate of \$6.00 per month. The new rate is recommended to be effective July 1, 2005 and would generate \$156,000 additional revenue annually. For a single family residence, the rate increase would amount to \$3.00 per year.

Public Employees Retirement System: As mentioned in the **State Economy** section, the FY 2003-04 PERS contribution rates were proposed to increase between 40% and 55% over the FY 2002-03 contribution rates. For Beaverton, the FY 2002-03 PERS contribution rate was 13.77% of covered payroll and amounted to \$3,286,000. The proposed rate for FY 2003-04 was projected at 20.21%, which is an increase of 47% and would have amounted to \$4,823,000. With the passage of House Bills 2001, 2003 and 2004, the City's FY 2003-04 PERS contribution rate was reduced from 20.21% to 15.22%. However, since the three house bills were appealed to the Oregon Supreme Court and the outcome was unknown at that time, the City elected to appropriate PERS contributions at the higher 20.21% rate in the FY 2003-04 and FY 2004-05 budgets. The City remitted to PERS the contributions at the 15.22% rate and retained the difference of 4.99% in a PERS reserve account. This

process will produce an estimated \$2.5 million in the PERS reserve account through FY 2004-05. If the house bills are overturned, the City would have this funding to contribute to the retirement system from this account at a later date.

The outcome of the PERS lawsuits resulted in most of the provisions of HB 2001, 2003 and 2004 being upheld. The one provision that was not upheld was the guaranteed 8% earnings rate for active PERS Tier I member accounts. The house bills sought to guarantee an average of 8% earnings in a member's account over the life of the account's active status; however the court ruled that the 8% earnings are guaranteed for each year. The outcome of this ruling on future PERS contributions is not known at this time.

Every two years, the PERS board conducts an actuarial valuation of the PERS system. The PERS board uses the actuarial valuation to set the contribution rate for the next two-year period. The last actuarial valuation was completed in February 2005 for the period ending December 31, 2003 and established the contribution rate for FY 2005-06 and FY 2006-07. For the City, the contribution rate is 19.32%; however, the City is again electing to appropriate PERS contributions at a higher rate of 21.16% in the FY 2005-06 budget. The City will remit to PERS the contributions at the 19.32% rate and retain the difference of 1.84% in the PERS reserve account. This process is expected to produce an additional \$461,000, which will be added to the \$2.5 million in the PERS reserve account.

Annexations

Beginning in November 2004, the City Council approved and established an annexation policy designed to bring properties into the City that are within islands, where the property is surrounded by the City. This policy change resulted in four large annexations that increased the City's taxable assessed valuation by \$229 million and our population by an estimated 2,216 citizens. The value of these annexations has been incorporated into the City's FY 2005-06 Budget.

General Cost Increases

The FY 2005-06 budget includes general city-wide cost increases. The Medical/Dental program will experience a 14% increase and represents a cost increase of \$598,000 over the amounts budgeted for FY 2004-05. The FY 2005-06 budget also includes a 3% fiscal salary adjustment for the Police Union, the SEIU/OPEU (Service Employees International Union / Oregon Public Employee Union) bargaining group, and the management employee group.

Policy Direction and Management – Hold the Line: The City Council and I have challenged the City's department heads to manage operations and capital projects in such a way that costs are within operating revenues and that unanticipated needs may also be met within current resources. This requires significant attention to revenue streams and requires division managers to incorporate more direct and specific attention to their management controls, projections, and supervision of programs and projects.

Staffing Additions and Reductions: The budget includes four new Police Officer positions that are needed to maintain the ratio of 1.5 officers per thousand of population and one Landscape Technician to assist with right of way landscape maintenance in the newly annexed areas. The budget reflects the removal of one Engineering Construction Inspector position for the Site Development Program. This position was authorized last year; however, the anticipated project work load and the associated development permit funding have not been realized. When the work load and funding is realized, this position may be re-authorized. The budget also reflects the removal of a vacant Project Engineer position in the Traffic Enhancement Program. This program was funded through a three-year property tax levy that started in FY 1999-00. This program is further discussed in the section titled **Traffic Enhancement Program** on page xi.

Productive Service Enhancements: Service enhancements will be achieved within the existing budget through better management opportunities. Overall, the budget reflects a strategy of holding the line on expenses except for the four new police officer and one landscape technician positions. This is especially challenging in

light of the growth we are experiencing. Our population is estimated to increase from 79,350 to 83,500 for FY 2005-2006. I continue to press forward with my budget philosophy of prudent and conservative budgeting.

FY 2004-05 was the second full year under the Operations Department's re-organization that occurred late in FY 2002-03. The re-organization reviewed staff work programs and reallocated staff resources to better our utility infrastructure. The Street operations staff was challenged to perform some of the minor street overlays and construction repairs that had been previously contracted. The Sewer and Storm Funds each established a construction program that performs some of the smaller line replacement projects that were also previously contracted. During FY 2004-05 the staff conducted the following activities:

- Placed 5,300 tons of asphalt for the street overlay program
- Completed the reconstruction of SW Downing Drive, including the replacement of the storm drainage system, the installation of new curbs and sidewalks and the renovation and re-surfacing of the road surface
- Repaired sidewalks on SW Hall Boulevard between SW 5th Street and SW Farmington Road
- Installed street furniture on SW Watson Avenue as part of the Hall-Watson Beautification Project
- Completed utility underground work on SW Watson Avenue between SW 4th and 5th Streets including sidewalk replacement, streetlight and street tree installations
- Removed blackberries and other non-native vegetation along Beaverton Creek between SW Broadway and The Round development and re-planted the creek banks with native trees and shrubs and removed stream flow barriers as part of an effort to improve water quality
- Installed street markings on all street overlay projects including the reconstructed sections of SW Cedar Hills Boulevard and SW Denney Road

For FY 2005-2006, these crews will perform the following activities:

- Complete construction of storm drainage improvements and install a storm water treatment system in the Camille Park (S.W. Heather Lane and /S.W. 101st Street area) to reduce seasonal flooding and to improve water quality
- Complete installation of pollution control structures at outfalls to Beaverton Creek in cooperation with adjacent property owners
- Install 5,700 tons of asphalt to meet the needs of the City's street overlay program
- Expand creek restoration activities by working with property owners that are adjacent to creeks and streams to remove non-native vegetation and to re-plant creek banks
- Install street markings on all overlay projects including the final section of SW Cedar Hills Boulevard
- Complete sidewalk and curb re-construction along SW Brockman to repair damage caused by tree roots
- Complete sidewalk installation and storm drainage improvements along SW 155th Avenue from SW Hart Road to SW Rigert Road.

Municipal Services: The FY 2005-2006 budget includes the full range of City operations and programs which includes: City Administration; Police Services; Library Services; Municipal Court; Neighborhood Programs; Community Planning, Development and Building Inspection; Engineering, Construction, and Public Works Maintenance Services for the water, wastewater, stormwater, street, and traffic signal systems; as well as internal services for Fleet Maintenance, Information Systems, Geographic Information, and Reproduction Services. Beaverton is a growing city with many challenges to meet. The City's service programs continue to reflect my goal of quality of life improvements and sound, conservative financial management.

FY 2005-2006 is the City's twelfth year as a Housing Urban Development Block Grant entitlement city and the third year using the new 2000 US Census population figures for distributing Block Grant funding. Under the new census population, our Block Grant awards significantly increased from \$509,000 in FY 2002-03 to \$723,000 in FY 2003-04, \$711,000 in FY 2004-05 and \$673,640 projected for FY 2005-2006. Our long-term goal is to enhance Beaverton's central area by supporting affordable housing and improving the core neighborhoods' public

infrastructure and community facilities. The budget includes \$348,000 for the Housing Rehabilitation Program, \$140,000 for matching grants to downtown business for storefront improvements, and \$657,816 to assist with acquiring land for a future housing project. We will also allocate fifteen percent of the grant allocation to fund social service programs in the amount of \$101,046.

Budget Highlights: Major Program Changes and Enhancements

Staff Training: The organizational development budget continues my commitment to improve the efficiency and work output of our City employees. As the City continues to evaluate service levels, it is my belief that we provide employees with resources which enable them to improve their service to our customers. We will continue our emphasis on safety training throughout the City. We know this has a very significant impact in preventing on-the-job injuries. The budget includes appropriations for furniture, equipment and training to continue our citywide ergonomics program. The program is designed to train department staff to perform workspace risk assessments and identify appropriate corrective actions. We believe that this program will reduce our future exposure to office related repetitive motion injuries and promote a safer work environment.

Staff Development and Incentive Programs: The organizational development budget also includes appropriations to continue our performance incentive program. The program encompassed establishing an incentive system, training for city staff, and funding for an awards program centered on the City's four core values:

- Customer Service – Internal and external customer needs are met or exceeded.
- Highly Productive – Performance consistently exceeds the job requirements.
- Organizational Ownership – Demonstrates a commitment and motivation to attain goal and involvement in community and organizational activities and events.
- Leadership – Demonstrates ability to plan, guide, motivate, and organize work activities to achieve the department's and organization's goals.

Development Services: Application activity at the mid-point of FY 2004-05 is approximately 14 percent below FY 2003-04 levels. In the first half of FY 2004-05, the Division processed a total of 346 land use applications. Although the number of applications filed at the mid-point of FY 2004-05 is lower than at the same time the preceding fiscal year, staff projects that the number of applications processed by year's end will increase but will still be slightly below the original projection for this fiscal year. The City has had discussions with numerous property owners and developers about potential development that leads to the anticipation of a steady, if not slightly increasing, number of land use permits for the remainder of the fiscal year and into FY 2005-2006.

FY 2003-04 witnessed the review and approval of the redevelopment of Progress Quarry, an approximately 115-acre parcel, and the annexation of the Teufel Wholesale Nursery site, an approximately 120-acre parcel. These two parcels represent significant developments in the City.

The geographic area of the City of Beaverton has been relatively constant in the past several fiscal years; however, this changed in mid FY 2004-05 with the City Council's new annexation policy. The annexation policy will likely lead to an increasing number of land use applications filed from the existing business activity and property owners located within these annexed areas.

For the future, the City of Beaverton is largely a built-out community, and the supply of readily developable land is becoming scarcer. The Metro expansion of the Urban Growth Boundary (UGB) may increase the supply of developable land in Beaverton. The City will continue to experience redevelopment and infill development within existing neighborhoods.

Construction Inspection: Construction Inspection Services assists the development community by releasing partial site development permits in order to meet construction schedules for obtaining financing and maximizing use of optimum construction seasons or projected sales opportunities. Involvement of the Engineering Inspection

Section in the Capital Improvement Plan (CIP) program has proven invaluable in producing a product that meets strict City standards and ensures a high quality, durable infrastructure that will minimize future replacement and maintenance costs. City projects often involve the need to close major street, water and/or sewer systems. The Engineering Inspection Section provides the needed inspection and coordination resources to expedite the projects involving these temporary closures, minimizing the impact to citizens and businesses.

The inspection demands and expectations from the private developments are increasing, and the work load is beginning to be steady throughout the entire year, with little slow down during the winter months. Contractors are working weekends in order to meet the demands of the developers, and this causes increased inspection requests. The anticipated number of development projects for the next 18 months (January 2005 through June 2006) is very high (over 2,800 dwelling units and 2.2 million square feet of commercial space). These developments are occurring on complex sites that are either redevelopments or physically challenging, causing more construction-related issues. The trend towards development of row houses and other higher density housing creates greater inspection and coordination challenges for placing public and private utilities in the confined land area common to those projects.

Building Inspection: Development activity increased in FY 2004-05 from that of FY 2003-04, especially in the area of Commercial and Multi-family buildings. With continued low interest rates, development is anticipated to continue at this strong pace through FY 2005-2006. The trend in FY 2004-05 for residential building permit activity has remained consistent with a slight increase in single-family/row house construction from that of FY 2003-04. Single-family addition and alteration permits are expected to continue at a busy pace through FY 2005-2006. Projections for FY 2004-05 and FY 2005-2006 indicate a continued trend for significant multi-family and condominium-type residential units. This is supported by continuation of the Progress Quarry (southwest Beaverton) and the upcoming Teufel (north Beaverton) developments. New commercial building is also anticipated to remain strong through FY 2005-2006, with projects like the commercial portion of the Progress Quarry, Cascade Plaza redevelopment, and the tenant space availability at the recently remodeled Cedar Hills Crossing Mall.

A new State Building Code was adopted in FY 2004-05. The new State Code includes the International Building, Residential and Mechanical Codes, Uniform Plumbing, National Electrical Codes, and International Fire Code. Adoption of the "International" Codes resulted in the application of construction regulations that in many cases will differ significantly from the previous "Uniform" Codes widely used in the western United States (including Oregon) for the last 30 or more years. In order to help the development community through this transition period, the State allowed a three-month grace period from the adoption date to the time when all new projects would be subject to the new regulations. The Division used this time to work with our customers to make the transition and to work with the development community to learn the benefits and changes in the new codes. The Division continues to embrace the regional Tri-County Building rules and recommendations for promoting consistencies and efficiencies within the administration, application, and enforcement of the State Building Code, including promotion and public education of the regional "Permits Protect" program. This program uses radio, newspaper, and personal contact with the public to promote the purpose and value of permits and the application of reasonable building code enforcement.

During FY 2004-05, the Division continued its drive for improving customer service and process efficiencies through streamlining plan reviews, permits, and inspection procedures, which included:

- developing a process that exempted small mechanical (heating, cooling and ventilation) projects from the need for plan review thereby expediting the issuance of these types of permits,
- simplifying the special inspection process for welds on freestanding signs, which helped to expedite the plan review process,
- enhancing the over-the-counter plan review process by consolidating the paperwork necessary to issue a permit, speeding service to customers,
- adding over-the-counter structural plan reviews for minor structural building modifications.

Customers have expressed a desire to have as much information available to them on the City web site as possible. In response, the Division has continually added more forms and information to the City's Web site. Another enhancement allows customers to submit inspection requests through the web site. An automated inspection request system has greatly improved the Division's efficiency in producing daily inspection request forms. The Division has also been involved in a Tri-County pilot project to provide and promote e-commerce in building permits. The goal of the project is to provide the development community with a single access point to determine which jurisdiction a project address is located; gain access to the jurisdiction's Web information; apply, pay for, and issue simple permits through the web.

Traffic Enhancement Program: FY 1999-00 represented the final year of a three-year funding plan from property taxes for the traffic enhancement program. In total \$2,325,000 was dedicated to construction projects. The program's first major focus was to improve the arterial and collection system by refining the signal-timing program, enhancing the remote communications capabilities, and upgrading the signal control systems. The second major focus is to mitigate the impact of through-traffic on local streets with traffic calming measures. Neighborhood livability and safety are enhanced by the installation of speed reducers designed to blend in with and enhance the visual environment. The budget includes \$600,332 for construction projects in the Capital Improvements Plan (CIP) that were approved through a public involvement process with the City's Traffic Commission.

Since its inception in 1998, the Traffic Enhancement Program has been managed by a staff of 3 FTE's as a program in the General Fund. As most of the \$2,325,000 allocated towards construction projects has been spent, the need for the 3 FTE's has reduced. The Project Engineer position is currently vacant and was not funded for FY 2005-2006. The two Engineering Technician III positions were transferred; one FTE to the Street Fund to continue traffic enhancement activities and the second FTE to the General Fund's CIP Engineering program (.5 FTE) and to the Water Fund's Engineering Program (.5 FTE).

Red Light Signal Violation Camera Detection Program (Running Red Lights): Beaverton is one of fourteen cities authorized by the state legislature to use a system that photographs drivers that fail to obey traffic signal devices (running red lights) using a camera detection system (any city over 30,000 in population can install red light signal detection). At designated intersections, a camera unit is connected to the traffic signal and an underground sensor. When a vehicle enters the intersection after the light has turned red, a photo is taken and a citation issued to the registered owner with the presumption that the registered owner of the vehicle is the driver. Beaverton has four intersections with active camera systems that monitor the traffic on each of the through traffic lanes and one of the four intersections is also monitored for red light violations in the left-hand turn lanes.

ASR – Aquifer Storage and Recovery Project: The City of Beaverton is utilizing technology that provides water during times of high use through creative use of a natural storage system: aquifer storage and recovery (ASR). ASR involves pumping drinking water from the water treatment plant (the same water our customers drink every day) into natural underground basalt formations, or aquifers, where it is stored for later use. ASR is an alternative means that will increase water supply by up to 3 million gallons each day in the summer of FY 2005-2006. ASR technology enables the City to meet short-term water demand and help to delay the need to purchase water, expand water treatment, and build above-ground storage reservoirs and new conveyance facilities. These factors represent large cost savings to the City.

During 2004, the City extracted an extensive quantity of groundwater from ASR Well Nos. 1 and 2, located at the Sorrento Water Works at the westerly end of SW Hanson Road. Using ASR Well Nos. 1 and 2, the City stored approximately 454 million gallons of drinking water over the winter and spring of 2003-04. During May through September 2004, 202 million gallons of stored water was pumped out to help meet summer water demand. Due to the relatively short and mild summer in 2004, no native groundwater was needed to supplement peak summer supply. As a part of the groundwater withdrawal from the ASR wells, rigorous water quality testing and data collection is performed on a regular schedule to be sure that the water quality meets high state and federal standards and to evaluate how the aquifer responds to the injection storage and recovery of drinking water. Since ASR has become a part of the water supply system, Beaverton's water during the summer represents a mixture of

water from ASR and river sources. Total groundwater (stored ASR plus native groundwater) extracted from the City's two ASR wells now make-up 6.7 percent of the total annual drinking water distributed to customers.

The drinking water program will continue to work to trim peak water supply (peak hour and peak day) into the City so as not to exceed the City-owned capacity of 15 million gallons per day (MGD) in the Joint Water Commission water treatment plant. ASR is a tool the City is using as an alternative means to increase water supply by up to 3 million gallons each day during summer 2005 and up to 6 million gallons each day during summer 2006 with the completion of ASR Well No. 4 (ASR Well No. 3 though constructed is not in production due to its lower production capability as compared to the other ASR wells).

Library Services: The Beaverton City Library continues to experience significant demands for service despite the reduction of 11 public service hours, from 60 to 49, per week due to the defeat of the Washington County Cooperative Library Service (WCCLS) levy in May of 2004. While total gate count and circulation is declining due to the reduction of public service hours, the per hour gate count has increased by 18% over last year (July – December 2004 compared to July – December 2003) and per hour circulation has increased by over 26% during that same time period.

The Beaverton City Library is the busiest library facility in the WCCLS system circulating 1,713,550 in 2004 or 26.3% of the Cooperative's total circulation of 6,509,744 items. The next busiest single facility, Cedar Mill Community Library, circulated 17% of the Cooperative's total circulation. The City of Hillsboro libraries, consisting of two facilities, circulated 25.5% of the Cooperative's total circulation.

The failure of the additional operating levies in November 2002 and May 2004 caused a loss of \$1.1 million in annual revenue for Beaverton over the amounts that would have been received had the levies passed. The impacts of the revenue decrease was lessened as the City's General Fund absorbed a portion of the shortfall through reduced charges for information systems and overhead costs totaling \$190,000 annually. The FY 2003-04 budget reflected reductions of 1.90 FTE positions and together with other reduction resulted in a combined expenditure reduction of \$487,156 over FY 2002-03's levels. The Library Fund's FY 2003-04 operations included using \$504,800 of the \$1,557,429 in contingency reserves to make up the difference between the lost revenues and the reduced expenditure levels.

During FY 2004-05, the library's staffing levels were further reduced by 6.6 FTE positions from 52.6 FTE to 46.0 FTE and together with other reductions resulted in a combined expenditure reduction of \$384,273 over FY 2004-05's adopted budget. FY 2004-05's operations is expected to use \$304,008 of the \$1,052,629 in contingency reserves.

The Library Fund's adopted FY 2005-2006 budget also reflects that expenditures will exceed revenues by \$310,072 and will be funded from the fund's contingency reserves, which will leave a contingency reserve balance of \$438,549 at the end of FY 2005-2006. The General Fund is still absorbing a portion of the revenue shortfall by continuing with reduced charges for information systems and overhead costs totaling \$190,000 annually. The Washington County Board of Commissioners is considering placing a measure on the November 2006 general election to again seek voter approval of the additional operating levy. If the levy passes, the library's FY 2007-08 budget will operate in the positive. If the levy does not pass, the City will then determine how to bridge the gap between current revenues and expenditures.

Information Systems: The budget includes funding to upgrade the City's personal computers on a four-year cycle to maintain optimal operating standards and continued expansion of the thin client network. FY 2004-05's work program included the following projects:

- New Beaverton Police Department Systems – Restructured the PPDS (Portland Police Data System) and 911 database for crime analysis, Replicated PPDS information to the cities of Hillsboro and Tigard, and Washington County, Implemented an evidence inventory system and mug shot imaging system, and began developing In-Field Reporting

- Developed on-line scheduling of building permit inspections
- Reengineered the municipal court system including debt collection and photo radar imaging
- Implemented the water system's asset management and work order system
- Reviewed traffic light, sign, and vehicle fleet inventories for asset management and work order systems
- Implemented Engineering Maps online, Beaverton maps online, and Planning maps online systems
- Migrated from Windows Office XP to Windows Office XP 2003
- Deployed thin client technology in which terminals operate off of a central server

FY 2005-2006's work plan includes the following projects:

- Implement the new Human Resources and Payroll software system
- Continued development of the Police Information Systems including in-field reporting
- Implement network monitoring tools to ensure high performance and analyze future growth of the City's computer network
- Gradual deployment of VOIP (voice over internet protocol)
- Expand deployment of the thin client network for up to 90 terminals operating on the central server

Equipment Replacement and Upgrades: It is important that the City makes careful decisions about replacing or upgrading equipment. We replace and upgrade equipment and take advantage of new technology only as a measure to ensure that employees have safe and adequate tools and equipment to provide services to the public. The objective for upgrading and replacing equipment includes:

- Normal replacement as equipment completes its useful life
- Additions of new technology

The FY 2005-2006 budget includes the following vehicle purchases:

- 7 replacement police patrol vehicles
- 1 replacement police sedan vehicle
- 2 replacement pick-up trucks
- 2 replacement dump trucks
- 1 replacement flatbed truck
- 2 replacement crew-cab trucks

Insurance Programs: The City's insurance programs consist of General Liability, Property Coverage, Worker's Compensation, Unemployment, and Medical/Dental. The programs are funded through charges to the operating funds. The FY 2005-2006 budget reflects increases of 14% in the medical/dental program (\$598,000), 7% in the general liability (\$18,000), and 5% (\$21,000) in property insurance.

The Risk Management Committee has recommended appropriate reserve levels for the various insurance programs and funding requirements, and they are incorporated in the budget.

Economic Development and Intergovernmental Relations: The Economic Development Program continues to be strong and active. Our City is working hard to attract new businesses and to support our existing business base. The FY 2005-2006 budget includes \$620,000 for the economic development program including \$360,000 as the second year of a three-year funding commitment to develop a Beaverton business incubator facility. This new facility, called the Open Technology Business Center, opened its doors in January, 2005. The vision for the Open Technology Business Center is to promote the City of Beaverton as the premier place in Oregon to start and grow businesses in the rapidly emerging field of open technologies. As a center of entrepreneurial activity, the Open Technology Business Center will support the formation, growth and funding of companies. It combines the traditional concept of a business incubator with a strong industry focus and deep domain expertise. Beaverton and Oregon have the potential to command a leading global position in open technology expertise, and the Open Technology Business Center is poised to bring the talent, ideas and capital together to make Beaverton the premier location for starting open technology companies.

Other economic development activities for FY 2005-2006 include marketing efforts related to the recent Regional Strategy report on downtown redevelopment, sponsoring business events and roundtables, and supporting the health clinic project.

The City regularly works in partnership with the Beaverton Area Chamber of Commerce, and the Mayor is an ex-officio member of the Chamber's Board of Directors. The Mayor also sits on the Board of the Westside Economic Alliance and chairs the regional Comprehensive Economic Development Strategy Committee; both working for an improved economy in the region. In concert with this effort is an increased awareness that intergovernmental relationships are very important. The opportunity to affect cost savings through mutual agreements is critical. As a standard, City staff work with other jurisdictions to evaluate every opportunity to ensure service efforts are not duplicated and to maximize economies of scale.

Supplementary Budget Detail

The Finance Department has prepared the following detail regarding the budget. I hope this will provide a more comprehensive description of the financial condition of the City and areas of interest in the budget for your information.

The City budgets for all funds that are subject to the requirements of state law. Proprietary Fund types are budgeted using the modified accrual basis of accounting while Governmental Fund types are presented as prescribed by Oregon Budget Law. The totals of personal services, materials and services, capital outlay and other expenditures by department and programs are the level of control for each fund. In addition to presenting the budget to meet legal requirements, City departments present their budget goals and objectives that are measurable and are directly related to providing City services.

The adopted FY 2005-2006 budget totals \$138,343,838, which includes fund contingencies and reserves totaling \$26,696,893. The budget will require a tax levy of \$24,727,972 and will allocate tax revenues as follows:

	Adopted Tax Levies	Less Provision For Non- Collections	Estimated Net Tax Receipts	Estimated Property Tax Levy Rate
General Fund	\$20,370,472	\$1,018,524	\$19,351,948	\$3.3392
Library Fund	1,552,500	77,625	1,474,875	0.2545
Street Lighting Fund	<u>1,080,000</u>	<u>54,000</u>	<u>1,026,000</u>	<u>0.1770</u>
Subtotal Levy Within the Permanent Tax Rate	\$23,002,972	\$1,150,149	\$21,852,823	\$3.7707
General Obligation Debt Levy	<u>1,725,000</u>	<u>86,250</u>	<u>1,638,750</u>	<u>0.2828</u>
Total Property Tax Levy	<u>\$24,727,972</u>	<u>\$1,236,399</u>	<u>\$23,491,573</u>	<u>\$4.0535</u>

The General, Library and Street Lighting property tax levies are subject to the property tax limitation (Measure 5) contained in Article XI Section 11b of the Oregon Constitution as amended.

The estimated City's assessed valuation for tax purposes is \$6,100,343,000. The tax rate is calculated by the following formula:

Total taxes subject to collection of \$24,727,972 divided by the estimated assessed valuation for property tax purposes of \$6,100,343,000 multiplied by \$1,000.

The adopted budget includes the following additional 5.5 FTE (full-time equivalent) positions:

- 4 FTE Police Officer positions to maintain our ratio of 1.5 officers per 1,000 of population for the City's projected FY 2005-2006 population of 83,500.
- 1 FTE Landscape Technician position in the General Fund's landscape program due to the added right of way landscape needs from the recent annexations. The position is partly funded by the elimination of a .75 FTE Support Specialist II position in the Operations Administration Fund that had been vacated during the year and will not be needed for future operations.
- .5 FTE Support Specialist I position in the Neighborhood Office to assist with Neighborhood Association events.

The FY 2005-2006 budget includes the elimination of 3.75 FTE positions, the transfer of 2.54 FTE positions and the reduction .65 FTE positions as follows:

- .75 FTE Support Specialist II position (currently vacant) in the Operations Administration Fund was eliminated and the funding reallocated towards a 1 FTE Landscape Technician.
- 1 FTE Project Engineer position (currently vacant) was eliminated in the Transportation Enhancement Program. This program was of a limited duration funded by a special three-year property tax surcharge between FY 1999-00 through FY 2001-02.
- 1 FTE Engineering Construction Inspector position was removed from the Site Development Program. This position was authorized last year; however, the anticipated project work load and the associated development permit funding have not been realized. When the work load and funding is realized, this position may be re-authorized.
- 1 FTE Court position was eliminated. This position has been unfilled and unfunded since FY 2002-03 and is no longer necessary to support the court's current and projected staffing needs.
- 2 FTE Engineering Technician III positions were transferred from the Transportation Enhancement Program to other engineering programs. 1 FTE was transferred to the Street Fund Engineering program to continue transportation enhancement activities and the second FTE was transferred to the General Fund Engineering program (.5 FTE) and to the Water Engineering program (.5 FTE).
- .35 FTE Benefits Representative position was transferred from the General Fund to the Insurance Agency Fund to more accurately reflect the position's work program.
- .19 FTE Support Specialist II position in the Community Development Block Grant Fund was transferred to the General Fund's Economic Development program in order to meet the Block Grant's administrative funding cap requirements.
- .25 FTE reduction of the 1.0 FTE Organizational Development position in Human Resources to reflect that the position is currently filled at a .75 FTE.
- .40 FTE reduction of the 1.0 FTE Volunteer Coordinator position in Police Department to reflect that the position is currently filled at a .60 FTE.

The General Fund's revenue for FY 2005-2006 is budgeted at \$38,928,586 in current revenues and \$5,906,511 in beginning fund balance for a combined \$44,835,097 in available revenues. Net property tax revenue totals \$19,351,948, and this amount represents 52% of the General Fund's current revenues. Franchise Fees (telephone, telecom, electric, gas, water, sewer, storm, and refuse) account for \$4,907,066 or 13% of the General Fund's current revenues. State shared revenue, comprised of the City's share of cigarette and liquor taxes, account for \$944,937 or 3% of the current General Fund revenue.

The General Fund's expenditures for FY 2005-2006 consist of \$39,471,415 in current expenditures and \$5,363,682 in contingencies and ending fund balance. Salary and fringe benefits costs total \$27,537,555 representing 70% of the General Fund's current expenditures. The General Fund's largest program is police services with a total appropriation of \$19,290,799, which is 49% of the current expenditures. The General Fund's capital outlay budget totals \$1,227,555 of which the major items are \$600,000 for improvements to the Beaverton Central Plant; \$246,000 for replacement of vehicles; \$157,500 for police communications equipment; and \$126,055 for the new Human Resources and Payroll software system.

The Street Fund's budget maintains the same level of service as last year's operation. The fund's revenue for FY 2005-2006 is budgeted at \$4,989,584 in current revenues and \$2,745,280 in beginning fund balance for a combined \$7,734,864 in available revenues. The fund's expenditures for FY 2005-2006 consist of \$3,941,353 in current operating expenditures, \$812,000 in street reconstruction expense (overlays), \$1,168,000 transfer to the Capital Project Fund for street construction, and \$1,813,511 in contingencies and ending fund balance. Salary and fringe benefits costs total \$1,823,048 representing approximately 31% of the Street Fund's current expenditures. The Street Fund contingency represents 25% of total operating expenditures, which is available for emergency street expenditures.

The Building Fund's permit and development workload reflects the expected significant development building activity associated with the Progress Quarry and Teufel parcel developments. The Building Division anticipates approximately 270 single-family dwelling units, 600 multi-family dwelling units and 20 commercial buildings.

The Capital Projects Fund provides for improvements to the City's street and transportation system, and it includes appropriations for FY 2005-2006 projects that is a component of the City's Four-Year (FY 2005-2006 through FY 2008-09) Capital Improvements Plan (CIP). Transfers from the Street Fund and the Traffic Impact Fee Fund along with Federal and State grants and developer contributions provide the funding for the street and transportation construction projects. The FY 2005-2006 CIP includes appropriations for the following street projects:

SW Murray Road Extension to SW Walnut Street	\$3,958,746
SW 125 th Avenue Extension	940,000
SW Rose Biggi Avenue - Light Rail to Crescent	619,200
Traffic Enhancement Projects	600,332
SW 155 th Avenue Sidewalk Improvements	228,000
Miscellaneous Transportation Improvements	80,000
Hall / Watson Beautification, Phase 3	75,000
SW Rose Biggi Avenue - Millikan to Light Rail	<u>57,500</u>
Subtotal Capital Projects Fund	\$6,558,778
Street Reconstruction (Overlay) Program	<u>812,000</u>
Grand Total All Street Construction	\$7,370,778

The Water Fund is comprised of the Water Operating Fund, Water Debt Service Fund, and Water Construction Fund. The Water Operating Fund accounts for expenditures in the maintenance, operation and administration of the water system. The Water Debt Service Fund accounts for the payment of bonded debt issued for the acquisition and construction of system improvements, while the Water Construction Fund accounts for capital expenditures incurred for construction and improvements to the water system.

The Water Operating Fund's revenue for FY 2005-2006 is budgeted at \$8,954,018 in current revenues and \$4,620,639 in beginning fund balance for a combined \$13,574,657 in available revenues. The fund's expenditures for FY 2005-2006 consist of \$7,706,930 in current operating expenditures, \$1,310,949 in system capital infrastructure improvements, and an operating contingency of \$3,456,778, a dedicated contingency of \$500,000 and a rate stabilization reserve of \$600,000. The adopted FY 2005-2006 capital infrastructure improvements are:

Water System Improvements	\$ 1,167,000
Maintenance and Replacement Program	100,000
Joint Water Commission Projects	33,949
Fire Hydrant Replacement Program	<u>10,000</u>
	\$1,310,949

All revenues from water rate charges are shown in the Water Operating Fund. The FY 2005-2006 budget includes a 2.7% increase in the consumption charge and a 3.0% increase in the demand (meter) charge. The 2.7% consumption rate increase is equivalent to a 5-cent increase in the water consumption rate from the current \$1.82 per 100 cubic feet of water (which is equivalent to 748 gallons) to the rate of \$1.87. The cost increase to the average residence that consumes 6 units of water per month would be \$3.60 per year. The rate increase is recommended to be effective January 1, 2006, and would generate \$181,000 additional revenue annually. The 3.0% increase to the demand (meter) charge is equivalent to a 22-cent increase for the typical residential ¾ inch meter from the current \$7.27 to the rate of \$7.49. The cost increase to the average residence would be \$2.64 per year. The rate increase is effective July 1, 2005, and would generate \$50,500 additional revenue annually.

The Water Debt Service Fund contains appropriations of \$3,101,550 for debt service, \$2,000,000 transfer to the Water Construction Fund, and a reserve for debt service of \$75,000.

The Water Construction budget accounts for construction to increase the capacity of the water system and includes appropriations of \$7,110,105 for construction projects and a dedicated contingency of \$711,945. The construction projects are funded by revenues from water system development charges and bond sale proceeds. The adopted FY 2005-2006 construction projects are:

JWC 2 nd Fernhill Reservoir	\$2,653,049
JWC (Joint Water Commission) Capacity Projects	1,438,216
Water Extra Capacity Improvement Projects	1,405,000
Aquifer Storage & Recovery Well No. 4	1,000,000
Dernbach Reservoir Property Purchase	333,000
JWC Scoggins Dam Raise	155,803
JWC Raw Water Pipeline	65,037
15 MG Reservoir (final landscaping)	<u>60,000</u>
	\$7,110,105

We have allocated resources to ensure the City will continue to provide high quality water that meets the most stringent requirements of any standard setting association or regulatory agency. Sufficient resources are also budgeted to supply the quantity of water to meet today's needs, to maintain required fire flow storage, and to provide capacity for future growth.

The Sewer Fund's revenue for FY 2005-2006 is budgeted at \$3,043,460 in current revenues and \$6,603,575, in beginning fund balance for a combined \$9,647,035 in available revenues. The fund's expenditures for FY 2005-2006 consist of \$2,452,212 in current operating expenditures, \$2,985,500 in system capital infrastructure improvements, and \$1,193,187 in contingency for general operations and \$3,016,136 in reserves for future extra-capacity improvements. The City is a participant in an intergovernmental consortium for region-wide sewer services. The lead agency, the Clean Water Services (CWS), operates and maintains the sewer treatment plant and all sewer lines 24 inches and greater in diameter. The City operates and maintains all sewer lines less than 24 inches in diameter that reside within the City's corporate boundary. CWS sets the sewer rate for the region. For FY 2005-2006, CWS is proposing a 3.5% increase in the sewer rate, which will be dedicated entirely to CWS's debt service. The participating cities collect the sewer revenues and remit 82.48% to CWS and retain 17.52% for their operations. The City's portion of revenue is dedicated to operating the sewer system within its corporate boundary and, combined with system development charges, provides for sewer system rehabilitation and system capacity improvements. The City's FY 2005-2006 sewer capital improvement program includes the following appropriations:

Rehabilitation Projects	\$2,020,000
Sewer System Capacity Improvements	<u>965,500</u>
	\$2,985,500

The Storm Drain Fund's revenue for FY 2005-2006 is budgeted at \$3,905,626 in current revenues and \$4,168,542 in beginning fund balance for a combined \$8,074,168 in available revenues. The fund's expenditures for FY

2005-2006 consist of \$2,314,570 in current operating expenditures, \$3,610,000 in system capital infrastructure improvements, and \$347,140 in contingency for general operations and \$1,802,458 in reserves for future extra-capacity improvements. The City is a participant in an intergovernmental consortium for region-wide storm and surface water management. The lead agency, CWS is responsible for the region-wide facilities and the Surface Water Management (SWM) plan. The City is responsible for the culverts, catch basins, and detention facilities within its corporate boundary.

CWS establishes the maximum monthly base fee amount for all jurisdictions within CWS's service area. Single-family residences are assessed and billed 1 Equivalent Service Unit (ESU) per month. For multi-family and commercial properties, the number of ESUs is determined by dividing its square footage of impervious area by 2,640. The current maximum base fee amount is \$4.00 per month per ESU. However, the City charged only \$3.75 of the maximum \$4.00 base fee for FY 2004-05. Of the base fee, each jurisdiction remits \$1.00 to CWS and retains the balance. For all other jurisdictions, the amount retained would be \$3.00 per ESU, however, Beaverton retained \$2.75. The retained revenue is dedicated to operating the surface water management system within our corporate boundary including performing routine system operations and maintenance activities and sweeping the City's streets on a monthly basis.

The City's FY 2005-2006 budget includes a 25 cent increase in the amount of the base fee that it charges bringing the charged rate to maximum \$4.00 per month per ESU. The rate increase will generate an additional \$156,000 annually to the City. The increase to a single family residence would be \$3.00 per year and the new rate is effective July 1, 2005.

In addition to the base charge, the City collects a \$2.00 per month surcharge per ESU. The surcharge generates approximately \$1,200,340 annually and is dedicated to replace existing facilities that are failing or deficient. The surcharge revenue and revenue from system development charges provides funding for the surface water capital improvement program. The FY 2005-2006 capital improvement program includes the following appropriations:

Replacement Projects (funded from \$2 surcharge)	\$ 1,495,000
Storm Water Capacity – Conveyance Projects	1,355,000
Storm Water Capacity – Quality Projects	468,000
Storm Water Capacity – Quantity Projects	<u>292,000</u>
	\$3,610,000

DISTINGUISHED BUDGET AWARD

The City's FY 2004-05 Annual Budget Document was awarded the Distinguished Budget Presentation Award by Government Finance Officers Association of the United States and Canada (GFOA). This is the sixteenth consecutive year that the City has received this recognition. In order to receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan and as a communications medium. This award is valid for one year only. We believe our current budget continues to conform to program requirements, and we are submitting it again to GFOA to determine its eligibility for another award.

We hope that this document will provide a better understanding of the City's operation as we strive to maintain and improve the quality of life in the City.


CLOSING COMMENTS

We recognize the need for a strong economic, cultural and social base to maintain and improve our identity as a City. We will continue to make available City facilities for citywide cultural and community activities as a way to promote and reinforce our identity. We will try to maintain a diversified and stable revenue system and will continue to review all fees and charges as they relate to the costs of providing services.

The future for the City of Beaverton is exciting, challenging, and filled with opportunity. The FY 2005-2006 budget is a key component of our creative and innovative efforts to secure Beaverton's future as a high quality

place to live, work, and raise our families. We firmly believe that we can continue to meet the needs of our citizens while maintaining an efficient, cost effective city government.

It is my personal goal to provide leadership for the employees of the City of Beaverton by creating a vision, establishing the direction and inspiring people to do their best. It is imperative that we continue to create a culture of empowering our employees to do their job. I will continue to open the lines of communication, both up and down the organization, and I will work hard to continue molding the City's operations into a unified team. The end result will be a continuing improvement in service levels to Beaverton's citizens.


Rob Drake, Mayor